



OFFICE OF THE ATTORNEY GENERAL
Office of Inspector General

James D. Varnado
Inspector General

BILL McCOLLUM
ATTORNEY GENERAL
STATE OF FLORIDA

PL-01, The Capitol
Tallahassee FL 32399-1050
Telephone (850) 414-3456
Fax (850) 922-3854

November 17, 2010

Kathy DuBose
Joint Legislative Auditing Committee
876 Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1400

Dear Ms. DuBose:

In accordance with Section 20.055 (5)(g), Florida Statutes, enclosed are the results of our assessment of the status of implementation of recommendations as made known to us in the *Auditor General's Department of Legal Affairs Accounts Receivable Management and Follow-Up Report 2010-200*.

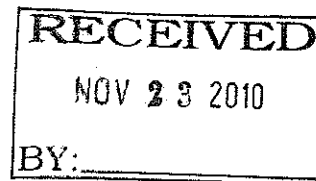
If you have any questions, please call Judy Goodman, Director of Auditing, at (850) 414-3456.

Sincerely,

A handwritten signature in black ink that reads "James D. Varnado".

James D. Varnado
Inspector General

JDV/jmg



Enclosure: OIG Audit Report No. 2010-15

Office of the Attorney General
Inspector General's Report 2010-15
Six-Month Follow-up to
Auditor General's Report 2010-200



James D. Varnado
Inspector General

Bill McCollum
Attorney General
November 17, 2010



EXECUTIVE SUMMARY

OIG Report No. 2010-15 - A Follow-up Report to Auditor General's Accounts Receivable Management and Prior Audit Follow-up Operational Audit Report 2010-200

WHY THIS REVIEW WAS PERFORMED

The objective of this audit was to determine the status of corrective actions and/or management decisions related to findings reported in the Auditor General report mentioned above.

SUMMARY OF WHAT WAS RECOMMENDED

- Program Unit and Department receivable records should be periodically reconciled. The reconciliation process should include investigation and disposition of all differences between records.
- The Department should take appropriate steps to ensure adequate separation of duties are maintained.
- The Department should enhance its collections procedures by establishing frequency of collection attempts and escalation upon failure to pay. The procedures should also prescribe when

to send receivable information to DFS for collection assistance and write-off review and approval and to the Lottery for offset of the debt against any prize winnings.

- The Department should enforce its procedures requiring Victim Services staff to perform collection activities.
- Procedures should be updated to provide for program unit director approval of receivable write-off requests.
- The Department should continue efforts to obtain a revision of Section 16.53(7) Florida Statutes regarding transfer of excess funds.

SUMMARY OF WHAT WE FOUND

- Although there have been some strides made towards reconciling accounts receivable, the recommendation to reconcile accounts receivable records was not implemented yet.
- Duties were adequately separated.
- Office of Finance and Accounting procedures have been revised to reflect frequency of collection attempts.
- Procedures defining when to send items to the Lottery were not implemented due to the lack of Social Security numbers on claims information.
- Victim Services staff have begun to perform collection activities.
- Procedures were updated to provide for appropriate approval of accounts to be written-off.
- Section 16.53(7) Florida Statutes was not revised.



Follow-Up Report to the Auditor General's Department of Legal Affairs Accounts Receivable Management and Prior Audit Follow-Up

November 17, 2010

Assignment No. 2010-15

Purpose

This report advises the Attorney General, Auditor General, OPPAGA, and the Legislative Auditing Committee of the six-month status of corrective actions related to findings reported by the *Auditor General's Department of Legal Affairs Accounts Receivable Management and Prior Audit Follow-Up* released June 2010.

Standards

Our work was performed in accordance with the *International Standards for the Professional Practice of Internal Auditing* as published by the Institute of Internal Auditors. The work performed was not to the extent to meet standards to qualify as an audit.

Scope and Objectives

The scope of this review was to determine the six-month status of corrective actions and/or management decisions related to findings reported in the Auditor General's Operational Audit 2010-200.

Methodology

As part of this assignment Office of Inspector General staff:

- Reviewed prior Auditor General's Audit Report 2010-200 and prior responses;

- Requested Departmental staff to assess current status of implementation of recommendations from the previous report;
- Conducted interviews, reviewed documents, and made observations necessary to corroborate management's assertions relating to the six-month status of audit findings reported in the Auditor General Audit 2010-200.

Recommendations and Current Status

Based on our review of the six-month status of findings and related corrective activities performed by the Department in response to Auditor General Report No. 2010-200, the Office of Inspector General presents the current status of each of the Auditor General findings below.

Finding No. 1: Receivable Accounting and Reconciliation

Recommendation: We recommend that program unit and Department receivable records be periodically reconciled. The reconciliation process should include investigation and disposition of all differences between records.

*Follow-up Report to the Auditor General's DLA Accounts Receivable Management
and Prior Audit Follow-up
Audit 2010-15*

Statewide Prosecution Status Report:

Statewide Prosecution reconciles receivable balances to the FL Department of Corrections on a regular basis. OSP will work with Finance and Accounting staff with the goal of reconciling account balances to those of Finance & Accounting on a regular basis. Due to the large number of accounts, and limited OSP staff, this will be an ongoing project and will take time to accomplish.

Victim Services Status Report: Two positions were assigned in July of 2010 to reconcile accounts receivable records. Coordination efforts were established with other OAG program units to identify successful practices with the goal of implementing similar procedures using existing electronic databases. Individual accounts receivable were established for offenders, which include coordinating court documents, correlating offender data with individual victim compensation claims in the Victim Assistance Network (VAN) database, and documentation of collection efforts. Reconciliation of bureau accounts receivable will be made with Finance and Accounting records on a quarterly basis for those accounts established after July 1, 2010.

Status: Partially implemented by Victim Services to address the recommendations.

Finding No. 2: Separation of Duties

Recommendation: We recommend that the Department take appropriate steps to ensure that adequate separation of duties are maintained.

Statewide Prosecution Status Report:

Duties have been separated as follows:

- AR establishment – OMC Consultant Manager
- Collection – Criminal Financial Specialist
- Check handling – Criminal Financial Specialist
- Write-off – OMC Consultant Manager

Economic Crimes Status Report:

The check deposit and Accounts Receivable duties have been separated. An adequate separation of duties is being maintained.

Status: Based on the assertions above, the finding is considered implemented.

Finding No. 3: Collections and Receivable Write-Offs

Recommendation: We recommend that the Department enhance its procedures by establishing guidelines prescribing the frequency of collection attempts and their escalation upon a failure to pay. The procedures should also prescribe when to send receivable information to the DFS for collection assistance and write-off review and approval and to the Lottery for offset of the debt against any prize winnings.

Additionally, the Department should enforce its procedures requiring Victim Services staff to perform collection activities on accounts receivable or assign such responsibility elsewhere within the Department. Also procedures should be updated to provide for program unit director approval of receivable write-off requests.

Follow-up Report to the Auditor General's DLA Accounts Receivable Management and Prior Audit Follow-up Audit 2010-15

Office of Finance and Accounting Status

Report: Finance and Accounting is in the process of revising the procedures related to accounts receivable. The revision will incorporate the statutory changes effective July 1, 2010, for debt collection referral. We have requested clarification from DFS regarding the applicability of DFS approval for settlements related to A/R activity. The department feels this should not apply to the legal settlements entered into for collection of funds. The procedures will be finalized upon a response from DFS. A copy of the proposed revision is attached. (See pages 5 through 7 of this report).

As a result of changes being implemented by DFS regarding A/R's and the usage of vendor files, the department will be developing an internal database application to handle A/R activity. Once the application is completed, DLA will no longer record A/R's and associated transactions in FLAIR. There will be summary transactions posted during year end processing for financial reporting purposes. This has been discussed with DFS and they have determined this is an acceptable practice. The internal application will be developed to enhance our reporting capabilities and to assist with the new requirement for timely referral for collection.

We have also requested exemptions for the 120 day requirement for referral for collection for two situations: 1) accounts on current payment plans, and 2) extension to 240 days for Economic Crime Assurances of Voluntary Compliance.

Victim Services Status Report: Two positions were assigned in July 2010 to

handle collections on any accounts receivable with no action taken within the last five years. For accounts established after July 1, 2010, at least one attempt will be made within 60 days of creation. If no payment is received within 120 days and due diligence has been established, the account will be forwarded to a third-party collection agency for further collection efforts. Note: To date, we have received several written responses and one \$500 payment from an offender as a result of our collection efforts.

Procedures have been established to determine the status of the offender prior to initiating collection efforts. If the offender is not incarcerated but is still under supervision, at least two written contacts will be attempted with the offender at his or her last known residential address. No collection action will be initiated when the offender has been sentenced to life or a period of incarceration greater than five years, based on the date of the court order or other documentation mandating payment to the Crimes Compensation Trust Fund. Periodic notice will be provided to the courts in the event further proceedings are necessary to ensure payment is made to the trust fund. When an offender initiates payment to the trust fund, the account receivable can be re-opened so that collections may be pursued. These accounts then will be handled as a new account and agency collection efforts will ensue accordingly. Requests for write-offs will include notations of the level of due diligence efforts and will be approved by the Division Director.

*Follow-up Report to the Auditor General's DLA Accounts Receivable Management
and Prior Audit Follow-up
Audit 2010-15*

Status: Substantially Implemented or begun: OFA has implemented the relevant recommendations with the exception of submitting accounts to the Lottery for offset against any prize winnings. This is because much of DLA's account establishment information does not include a Social Security number which the Lottery needs as an integral part of their collection against winnings. Collections efforts have begun in Victim Services but more time is needed to test all components of the prescribed procedures.

Recommended Statutory Revision: We recommend that the Department continue efforts to obtain a revision of Section 16.53(7), Florida Statutes.

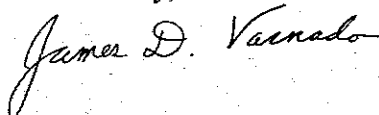
Administration Status Report: We concur that continued efforts to obtain a statutory revision are appropriate.

Status: Not implemented

Inspector General Statement

This report has been prepared to inform the Attorney General and the Joint Legislative Audit Committee of the six-month status of corrective actions related to the findings of the *Auditor General's Operational Audit 2010-200 of the Department of Legal Affairs* released June 2010, as mandated by Section 20.055, Florida Statutes. This follow-up review was performed by Judy Goodman, Director of Audit.

Sincerely,



James D. Varnado
Inspector General

*Follow-up Report to the Auditor General's DLA Accounts Receivable Management
and Prior Audit Follow-up
Audit 2010-15*

Office of Finance and Accounting Manual Excerpt

Section 8 - 1 – ACCOUNTS RECEIVABLE

- A. The purpose of the Office Finance and Accounting (OFA) is to provide guidance regarding the policy and procedures relating to the accounting function within the Office of the Attorney General (OAG). These guidelines are intended to ensure the deposit and disbursement of all OAG funds in the State Treasury are in accordance with applicable laws, rules and administrative policies. However, this section cannot cover all situations which may be encountered. Some situations will have to be addressed on a case-by-case basis. The overall authority for these guidelines is set forth in the Florida Statutes (F.S.) and in the Florida Administrative Code (F.A.C.). The statute or rule authorizing each section in these procedures will be specifically denoted, when applicable.
- B. Definition. Accounts receivable include the OAG's claims against other entities, specifically determined through a court order or judgment, settlement, assurance of voluntary compliance (AVC), or any other written promise to pay the OAG a specified amount at a specified future date, or dates. When a determination is made that a particular entity owes the OAG and payment in full cannot be or is not received within a short period of time, an accounts receivable needs to be established in the OAG's accounting records.
- C. Required Documentation to Establish Accounts Receivable. To establish an accounts receivable, OFA must receive a complete document signed by all parties involved. This document usually takes the form of an AVC, a judgment or a court-ordered settlement. Indicated in this document should be the total amount owed, method of payment and dates on which payments shall be made. Upon receipt, OFA will retain a copy of the agreement and all documentation for each receivable.
- D. Collection of Accounts Receivable. The attorney or employee handling the particular case is responsible for the collection and follow-up of payments made on behalf of satisfying the accounts receivable. Collection efforts must be documented by at least one written communication with the debtor within 60 days of the account due date. These payments should be submitted to OFA following the above Cash Receipts procedures. Payments will be credited to the outstanding balance of the accounts receivable.
- E. It is the divisions' responsibility to perform periodic reconciliations of internal accounts receivable files to OFA's balances. Monthly reports of account receivable balances are disseminated on a monthly basis. The division should notify OFA of any discrepancy so that research and any necessary adjustments can be accomplished.

*Follow-up Report to the Auditor General's DLA Accounts Receivable Management
and Prior Audit Follow-up
Audit 2010-15*

Office of Finance and Accounting Manual Excerpt (continued)

- F. Claims for Collections. An account receivable will be eligible for referral to the appropriate contract vendor for collection when: 1) it has been due and payable for 120 days and there has been no activity; 2) collection attempts have been documented, but resulted in no response; and 3) does not meet the requirements of a DFS approved exemption.

On a monthly basis, OFA will:

- Prepare a spreadsheet of the accounts receivable that are at least 90 days old and have had no activity since inception.
- Disseminate spreadsheets to appropriate division staff for review to determine eligibility for collection referral.
- Prepare file of accounts receivable determined eligible for referral and submit file to appropriate collection agency.
- Disseminate spreadsheet of referred accounts receivable to appropriate division staff.

It will be the division's responsibility to notify OFA of any status changes to referred accounts so that appropriate action can be taken.

- G. Delinquent Accounts Receivable. If an account receivable is deemed uncollectible, the OAG must request permission from the Department of Financial Services (DFS) to write off the receivable. The attorney handling the case must provide OFA sufficient justification as to why this account has been determined uncollectible (defendant deceased, business bankrupt, etc.) and that all lawful means to collect the receivable have been exhausted. The request for write-off must be routed through the applicable Division Director for approval before submission to OFA. OFA will prepare the necessary documentation and submit the request to the DFS. Upon approval from the DFS, OFA will notify the appropriate attorney of the approval and the accounts receivable will be removed from the department's accounting records. If in the opinion of the CFO, the OAG has not exhausted all its lawful means, the request may be returned recommending that the OAG pursue additional means to collect. The department may have accounts referred to the debt collection vendor contracted by DFS.

*Follow-up Report to the Auditor General's DLA Accounts Receivable Management
and Prior Audit Follow-up
Audit 2010-15*

Office of Finance and Accounting Manual Excerpt (continued)

This section may require revision dependent upon DFS response for application of this requirement.

- H. Settlement of Accounts Receivable. Acceptance of an amount less than the total amount due the OAG as full payment of any debt, which includes any interest or service charges provided by statute, is a settlement. All settlements, whether in the form of a written two-party agreement or a note, must be approved by the DFS before the settlement becomes effective. If the settlement is in the form of a written agreement, the attorney handling the case must submit to OFA a non-executed agreement or an executed agreement which contains a provision that the agreement become effective only upon its approval by the DFS. OFA will prepare the necessary documentation and submit the request to the DFS. The settlement will not be approved until the CFO is satisfied that the settlement is in the best interest of the State.
- I. Satisfaction of Accounts Receivable. When the accounts receivable is paid in full, all payment documentation will be retained by OFA for future reference for the duration of the established retention period.



To contact the Office of Inspector General:

State of Florida

Office of the Attorney General

PI-01, The Capitol

Tallahassee, Florida 32399-1050

<http://myfloridalegal.com/> or (850) 414-3300